

Message Text

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ACTION XMB-04

INFO OCT-01 NEA-06 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

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C O N F I D E N T I A L JIDDA 6584

E.O.: 11652: N/A

TAGS: EFIN, SA, US

SUBJ: VISIT OF EXIM CHAIRMAN CASEY

SUMMARY: MR. CASEY HAD VERY PROFITABLE DISCUSSIONS WITH TOP SAUDIS ON POSSIBLE PARTICIPATION OF SAUDI CAPITAL IN PARALLEL LENDING WITH EXIM BANK. SAUDIS WERE QUITE INTERESTED IN CASEY PROPOSAL AND WE FEEL THIS EFFORT MAY BE A WORTHWHILE ADDITION TO USG EFFORTS AT RECYCLING OIL MONEY. END SUMMARY.

1. IN MEETINGS WITH SAMA, MINISTER OF FINANCE, AND PRINCE FAHD, CASEY HAD A CHANCE TO EXPLAIN AT LENGTH HIS PROPOSAL THAT SAUDIS CONSIDER PARALLEL LENDING ON EXIM BANK PROJECTS. MR. CASEY PROPOSED THAT THE SAUDIS ESTABLISH A RELATIONSHIP WITH THE BANK WHICH WOULD ALLOW THEM TO DECIDE, ON A CASE-BY-CASE BASIS, WHETHER THEY WISHED TO FINANCE A PORTION OF A PROJECT INVOLVING EXIM FINANCING. SUCH A RELATIONSHIP WOULD ALLOW THE SAUDIS TO MAKE USE OF EXIM EXPERTISE IN EVALUATING A PROJECT, WOULD GIVE THEM THE ASSURANCE THAT USG HAD MONEY IN THE PROJECT, WOULD ALLOW THEM TO EARN A MARKET RATE OF INTEREST ON A SOUND PROJECT AND/OR ALLOW THEM TO GAIN CONSIDERABLE POLITICAL MILEAGE AND EXPOSURE IF THEY CHOSE TO MAKE CONCESSIONAL LOANS ON THE SAME PROJECT. SUCH ACTIVITY COULD

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ALSO PROVIDE VALUABLE TRAINING AND EXPERIENCE FOR SAUDIS IN

HANDLING THEIR FLEDGLING FOREIGN ASSISTANCE PROGRAM.

2. MR. CASEY ALSO SUGGESTED THAT THE EXIM BANK MIGHT PLAY A USEFUL ROLE IN PROVIDING TRAINING FOR SAUDIS INVOLVED IN THE DEVELOPMENT PROCESS EITHER IN-COUNTRY OR FOR THIRD COUNTRIES. SAG OFFICIALS COULD SPEND TIME AT THE BANK IN ORDER TO STUDY PROCEDURES FOR EVALUATION AND MANAGING LOANS. MR. CASEY HAD IN MIND STAFF MEMBERS OF THE VARIOUS DEVELOPMENTAL AGENCIES, BANKS AND FUNDS NOW BEING FORMED IN SAUDI ARABIA.

3. THE RESPONSE TO MR. CASEY'S FEELERS WAW GENERALLY POSITIVE. THE EMBASSY BELIEVES A SUBSEQUENT FOLLOW-UP AND PERHAPS A MORE CONCRETE PROPOSAL WOULD BE FAVORABLY RECEIVED. WE UNDERSTAND THE DEPARTMENT IS FOLLOWING UP ON THIS AND SIMILAR PROPOSALS AND HOPE WE WILL BE KEPT FULLY INFORMED OF ANY DEVELOPMENTS.

4. SEVERAL PERSONS RAISED QUESTION OF POLITICAL INFLUENCES ON EXIM BANK LOANS. MR. CASEY INFORMED QUESTIONERS THAT POLITICAL CONSIDERATIONS ALMOST NEVER CAME UP IN CONNECTION WITH EXIM LOANS, AND STATED THAT THE SUDAN WAS AN EXCEPTION. IBRAHIM AL-IBRAHIM (MANAGING DIRECTOR OF THE ARAB INVESTMENT CO) WAS PARTICULARLY TROUBLED BY THE ACTION IN CANCELLING PROSPECTIVE LOANS TO SUDAN. HE CHARACTERIZED SUCH ACTION AS HAVING LITTLE PRACTICAL MEANING, BUT CREATING A GREAT DEAL OF HARD FEELINGS.

5. HISHAM NAZER, CHAIRMAN OF THE CENTRAL PLANNING ORGANIZATION, ALSO RAISED THE POSSIBILITY THAT THE EXIM MIGHT BE WILLING TO CHANNEL SAUDI FUNDS TO US FIRMS WHO MIGHT OTHERWISE NOT HAVE THE FINANCING (OR BE UNWILLING) TO PUT UP THE EQUITY CAPITAL WHICH SAG IS INSISTING MUST BE A PART OF JOINT VENTURES. MR. CASEY POINTED OUT DIFFICULTIES IN PROVIDING LOANS TO OIL PRODUCERS AT THIS TIME, BUT MR. NAZER SEEMED TO HAVE IN MIND A MECHANISM WHICH WOULD USE ONLY SAUDI FUNDS, IN EFFECT ANOTHER RECYCLING PROPOSAL.

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